UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

BURUNDI

Report No. 1729

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Report on the audit of UNDP Burundi
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Burundi (the Office) from 11 to 22 July 2016. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

(a) governance and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, business continuity, monitoring and reporting, financial sustainability);

(b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – "One UN", Harmonized Approach to Cash Transfers [HACT]);

(c) programme activities (programme management, partnerships and resource mobilization, project management); and

(d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2015 to 30 April 2016. The Office recorded programme and management expenditures of approximately $34.3 million. The last audit of the Office was conducted by OAI in September 2013.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory**, which means, "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses in the management and oversight of payments, in the management of the procurement process, and in the oversight over project assets.

Key recommendations: Total = **11**, high priority = **3**

The 11 recommendations aim to ensure the following objectives:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2	Medium
Effectiveness and efficiency of operations	10, 11	Medium
Safeguarding of assets	7, 9	High
Compliance with legislative mandates, regulations and rules, policies and procedures	3, 4, 5, 6	Medium
	8	High

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Weaknesses in management and oversight of payments (Issue 7)	The review of 60 vouchers worth $4 million identified the following weaknesses: ▪ Financial transactions were not always supported by adequate documentation: In four cases amounting to $300,000, there was no supporting evidence that the Finance Unit received the delivery of the goods/or certification of services purchased or rendered before processing the payments. ▪ There were missing certified payment requests from national partners: In two payments totalling $140,000, the Office had not obtained the required certified document from the national partners. Nonetheless, the Finance Unit validated and processed the payments. ▪ Late voucher payments: At the time of the audit fieldwork, the Office was facing six long-outstanding claims totalling at least $336,763 from a number of services and goods providers. Two of these claims amounting to $65,656 arose from payments that had not been made on time by the Office. The audit also identified three vouchers worth $30,000 for which the Office did not make timely payments upon receipt of invoices of goods or services rendered, but instead the invoices were paid two to five months later. <u>Recommendation:</u> The Office should improve controls over payments by ensuring that: (a) adequate training is provided to finance staff on the procedures and documentation required to support payments; (b) payment requests are certified by national counterparts for projects under national implementation prior to submission to the Finance Unit; and (c) a workflow and oversight process is implemented to oversee and follow up on pending payments.
Inadequate management of procurement process (Issue 8)	The review of 40 purchase orders totalling $1.7 million noted the following weaknesses: ▪ Procurement processes were not always documented: The Office did not provide supporting documents for three procurement cases worth $22,000. As such, the audit team was not in a position to review these cases to determine if they adhered to UNDP procurement principles. ▪ Direct contracting was not always justified: The review of five cases of direct contracting with a cumulative value of $127,000, identified three cases (valued at $34,000), where the rationale provided was that the procurements were urgent. However, the audit disclosed that there was ample time to execute a competitive process. The other two cases valued at $93,000 were executed as a direct procurement because the project submitted the request for procurements late. The Procurement Unit estimated that the Office overpaid by an estimated $15,000. ▪ Inadequate contract management: An individual contract worth $38,000 was carried through even though the documented need was no longer justified. The contractor had been sought to fill a gap while the process

to recruit a Procurement Specialist was ongoing. Due to delays in the procurement process, both the consultant and the staff arrived in the Country at the same time. In another case, the contract was verbally extended by the project, resulting in a cost increase of $13,000.

Recommendation: The Office should comply with policies and procedures on the management of procurement by: (a) documenting all procurement cases and maintaining supporting documents on file; (b) not utilizing direct procurement modality in instances where competitive processes are possible; and (c) issuing and extending contracts based on documented need.

Lack of oversight over project assets (Issue 9)

The audit team noted a lack of oversight over projects' assets. Illustrative examples reported were assets transferred to nationally implemented projects and/or national partners that were still on the Office's assets list, purchases of assets without being recorded in the asset registry, auditors of nationally implemented projects not provided with asset lists, and absence of periodical physical verifications of project assets.

Recommendation: The Office should strengthen its oversight on project assets by: (a) including assets verification in the scope of the field visits; (b) disposing and timely removing all assets transferred to the national partners and reconciling directly implemented project assets with its asset registry; (c) accurately updating the acquisition dates of the vehicles purchased in its asset registry; and (d) providing a complete and accurate picture of nationally implemented projects assets and ensuring these listings are provided to the auditors during the yearly audit of nationally implemented projects.

Implementation status of previous OAI audit recommendations: Report No. 1145, 20 December 2013.
Total recommendations: 12
Implemented: 12

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

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